

MUA/RASA/EXAM/QP/2014

The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 100: FINANCIAL ACCOUNTING

DATE: 20TH AUGUST 2014

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **six (6)** questions.
4. Question **ONE** is compulsory .
5. Answer any other **THREE** questions.
6. Question one carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

You are to enter the following transactions in the books of Onyango, completing the double entry and balancing off the books at the end of the month of May 2002. Nb trial balance is not required

2002

- | | | |
|-----|----|---|
| May | 1 | Started business with £2,000 in the bank |
| " | 2 | Purchased goods £175 on credit from M Rooks |
| " | 3 | Bought furniture and fittings £150 paying by cheque |
| " | 5 | Sold goods for cash £275 |
| " | 6 | Bought goods on credit £114 from P Scot |
| " | 10 | Paid rent by cash £15. |
| " | 12 | Bought stationery £27, paying in cash. |
| " | 18 | Goods returned to M Rooks £23. |
| " | 21 | Let off part of the premises receiving rent by cheque £5. |
| " | 23 | Sold goods on credit to U Foot for £77 |
| " | 24 | Bought a motor van paying by cheque £300. |
| " | 30 | paid the month's wages by cash £117. |
| " | 31 | The proprietor took cash for himself £44 |

(25 marks)

QUESTION TWO

a) Explain the following terms;

i. an account

(2 marks)

ii. Folio

(1 mark)

b) State any six users of the accounting information

(3 marks)

- c) Explain the **purpose** for which the users you have identified in (b) above need the accounting information. (9 marks)

QUESTION THREE

- a) State and explain the relevance of the accounting equation (4 marks)
- b) L Stokes sets up a new business. Before he actually sells anything he has bought motor vehicles of £3,000, premises of £7,000, stock of goods £2,000. He still owes £800 in respect of them. He had borrowed £4,000 from D Evans. After the events just described and before trading starts, he had £300 cash in hand and £600 cash at bank. You are required to calculate the amount of his capital. (11 marks)

QUESTION FOUR

- a) Explain the term depreciation and state how it is written off /treated in accounting books. (4 marks)
- b) A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown. (11 marks)

2011

- Mar 1 Balances brought forward: Cash £230; Bank £4,756.
- " 2 The following paid their accounts by cheque, in each case deducting 5 percent
discounts: R Burton £140; E Taylor £220; R Harris £800.
- " 4 Paid rent by cheque £120.
- " 6 J Cotton lent us £1,000 paying by cheque.
- " 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.

- " 10 Paid motor expenses in cash £44.
- " 12 H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
- " 15 Paid wages in cash £160.
- " 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
- " 21 Cash withdrawn from the bank £350 for business use.
- " 24 Cash Drawings £120.
- " 25 Paid T Briers his account of £140, by cash £133, having deducted £7 cash discount.
- " 29 Bought fixtures paying by cheque £650.
- " 31 Received commission by cheque £88.

QUESTION FIVE

- a) Define the term capital expenditure and state whether the following is a capital or a revenue expenditure (2 marks)
- b) Identify the nature of expenditure for each of the following transactions (5marks)
- i. Purchase of an extra motor van.
 - ii. Cost of rebuilding warehouse wall, which had fallen down.
 - iii. Building extension to the warehouse.
 - iv. Painting extension to warehouse when it is first built.
 - v. Carriage costs on bricks for new warehouse extension.

- vi. Carriage costs on purchases.
- vii. Carriage costs on sales.
- viii. Legal costs of collecting debts.
- ix. Costs of erecting new machine.

(7 marks)

- b) White's business has a rate of turnover of 7 times. Average stock is £12,600. Trade discount (i.e. margin allowed) is $33\frac{1}{4}\%$ off all selling prices. Expenses are $66\frac{3}{4}\%$ of gross profit.

You are to calculate:

- (a) Cost of goods sold.
- (b) Gross profit margin.
- (c) Turnover.
- (d) Total expenses.
- (e) Net profit.

Explain the main causes of depreciation

(8 marks)

QUESTION SIX

Read the following and answer the questions below.

A and B own a grocery shop. Their first financial year ended on 31 December 2002.

The following balances were taken from the books on that date:

Capital:	A- £60,000;	B - £48,000.
Partnership salaries:	A - £9,000;	B - £6,000.
Drawings:	A - £12,000;	B - £13,400.

The firm's net profit for the year was £32,840.

Interest on capital is to be allowed at 10% per year.

Profits and losses are to be shared equally.

- a) From the information above prepared the firm's appropriation account and
(7 marks)
- b) The partners' current accounts.
(8 marks)